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ABSTRACT

This first interim report of the National Commission for Manpower Policy on the manpower challenges of 1975 was developed to (1) assess the extent to which federal manpower and manpower-related programs provide a structure capable of responding to the current unemployment problems and (2) consider some of the long-run critical manpower issues that the Commission plans to address in formulating recommendations aimed at the development of a cohesive national manpower policy. The content is in three sections. The first covers the Commission's task and includes background, statutory charge, the President's views, and the Commission's approach and work plan. Section 2 on the manpower challenges of 1975 discusses the specter of unemployment, recent legislative initiatives, and the responsiveness of manpower and manpower-related programs, including job creation, income maintenance, funding requirements, and labor market information and analysis. The last section covers the long-range manpower challenges and opportunities. (EM)

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An Interim Report to the Congress of the

National Commission for Manpower Policy

The Challenge of Rising Unemployment

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
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Report No. 1
February 1975

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NATIONAL COMMISSION FOR MANPOWER POLICY
1522 K Street, NW, Suite 300
Washington, D. C. 20005

February 28, 1975

To the Congress of the United States:

This first interim report of the National Commission for Manpower Policy is submitted pursuant to Title V of the Comprehensive Employment and Training Act of 1973 (PL 93-203). The public members of the Commission were appointed by the President at the end of September 1974 and the Commission's organizational meeting was held in November. The scope and contents of this report were reviewed and approved at the Commission's second meeting on January 22, 1975.

The report includes preliminary plans made persuant to our statutory charge and our instructions from the President to address the long-range manpower and employment issues involved in developing a comprehensive national manpower policy.

The Commission, however, came into existence at the time when unemployment was rapidly rising and showed no clear signs of abating. The Commission, therefore, felt compelled to also focus on the present challenge of rising unemployment. Although the Commission had only been in operation for about three months by the time of its January meeting, it was able to arrive at several preliminary conclusions and recommendations on the responsiveness of manpower and manpower-related programs to the developing unemployment situation.

The immediate issues addressed were:

- Use of job creation in times of high unemployment - page 10;
- Improving the unemployment insurance system - page 13;
- Extension of the Special Unemployment Assistance Program up to 39 weeks -page 14;
- Expanding coverage of Aid to Families with Dependent Children: Unemployed Fathers (AFDC-UF) - page 15;
- Increased funding requirements for manpower programs - page 15; and,
- Additional support for local labor market information and analysis activities - page 16.

On behalf of the members of the Commission, I take pleasure in forwarding this report to Congress and express the commitment of all the members to do their best to assist in solving the immediate and long-range manpower problems—and opportunities—that face the Nation.

Eli Ginzberg

ELI GINZBERG
Chairman

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I. THE COMMISSION'S TASK

Background

This first interim report to the Congress is an outgrowth of the Commission's preliminary work over its first three months. Although the Comprehensive Employment and Training Act (CETA) was signed into law on December 28, 1973, the public members of the Commission were not appointed until September 30, 1974 and the first meeting was held on November 14, 1974. The second meeting of the Commission was held on January 22, 1975 at which time the scope and content of this report were reviewed and approved. Therefore, this first report covers little more than the initial few months of the Commission's work. It should also be noted that the January deliberations of the Commission were held prior to the release of the January employment statistics and the estimates on the employment outlook contained in the President's Budget.

In other circumstances the Commission would have waited before submitting its first report. However, because of the unprecedented increase in unemployment between August and January when the national rate advanced from 5.4 to 8.2 or by more than 50 percent, the Commission considered it desirable to make a preliminary assessment of the manpower outlook for 1975 available at this time. The Commission will monitor the situation in the months ahead and submit new recommendations as events indicate.

The Commission is unique in several respects. Its seventeen members include the heads of federal agencies: The Secretaries of Defense, Agriculture, Commerce, Labor, Health, Education and Welfare, and the Administrator of Veterans Affairs; and 11 public members appointed by the President from among representatives of industry, labor, commerce, and education; persons who are served by manpower programs; and elected officials who have responsibility for operating such programs. In appointing a governor, a mayor, and a county executive to the Commission, the President emphasized the importance of assessing manpower programs at all three levels of government—federal, state and local.

Established as a permanent statutory body with a director and an independent staff, the Commission has a broad charge that includes

advising Congress how to strengthen national manpower policy and programs; how to improve coordination among the many federal manpower and manpower-related programs, including welfare, vocational education, vocational rehabilitation; whether recent efforts to decentralize responsibility for the operation of manpower programs to the states and localities are succeeding, including the extent to which community needs are met; and how the Nation's effort to reduce dependence on foreign energy sources will affect employment and manpower.

The Commission has statutory responsibilities to report to the Congress and is authorized to report to the President and to the heads of the federal agencies whenever it has findings and recommendations relevant to their respective jurisdictions. Because the Commission is composed of both federal officials and public members and has multiple reporting responsibilities, the Commission concluded that its reports will reflect broad consensus but not necessarily unanimity; that the members will be free to note when they do not participate in a particular recommendation; and that every member has the right to append a note when he or she desires to clarify his or her views.

The structure, charge, and membership of the Commission emphasize the Congress' view that only a broad body which represents all levels of government and includes members from other sectors would be in a position to address the larger aspects of manpower policy and programming which transcend the interests and concerns of any single federal agency. The Commission will seek to be responsive to this challenge.

Statutory Charge

In establishing the National Commission for Manpower Policy, Congress charged it with the following specific responsibilities:

- To identify the manpower goals and needs of the Nation,
- To assess the extent to which employment and training, vocational education, institutional training, vocational rehabilitation, economic opportunity and other programs represent a consistent integrated, coordinated approach to meeting such needs and achieving such goals;
- To conduct a study of the utilization of programs of manpower training and their interrelation with associated programs, such as those conducted under the Wagner-Peyser Act with an aim of determining how they could be better coordinated and more effectively combined to serve individuals; and,

- To make studies of the impact of energy shortages upon manpower needs; and to make the findings and recommendations available to the Congress.

To better inform themselves of the legislative history and congressional intent, the Commission's Chairman and Director met early with various members of the House and Senate active on the labor committees and with the principal staffs of these committees. These discussions indicated the importance that Congress attaches to three complementary objectives: recommendations from the Commission with respect to the development of a coherent national manpower policy; advice on pressing current issues; and methods whereby the many federal manpower programs can be more effectively coordinated. The Chairman and Director also held exploratory discussions with each of the federal representatives on the Commission to elicit their priority substantive concerns and to explore how each agency could most effectively contribute to the work of the Commission.

The President's Views

At its meeting on January 22, 1975, the Commission met with President Ford. The President expressed concern about the present unemployment situation and said he would welcome the Commission's advice on the Nation's manpower problems and policies. He also indicated three policy areas of special interest to his Administration:

- The relationship between manpower, employment, and economic policies with special attention to the energy issue;
- The need for the coordinated and integrated operation of CETA programs at all levels of government and with the concerned communities; and,
- The transition of young people from school to the world of work.

The Chairman reported to the President that through the courtesy of the Chairman of the Federal Reserve Board he had had an opportunity to meet the senior economic advisors of the Administration and that the Commission looks forward to a continuing interchange with them as part of its efforts to dovetail manpower and economic policy. The Chairman also informed the President that the Commission was seeking foundation support in accordance with the Commission's statutory authority and that one foundation had expressed a strong initial interest in the transition of young people from school to work.

The Commission's Approach and Work Plan

Informed by its statutory charge and the priority considerations emphasized by the President, the Commission has structured its initial work program to include:

- Close and continuing surveillance of the serious unemployment situation with a view to recommending required policy and program initiatives;
- Explorations of ways to improve articulation of manpower and economic policies, including recommendations involving the updating of the Employment Act of 1946;
- A study directed to the improved coordination of CETA with other manpower related programs;
- A review of the problems and issues involved in the transition from school to work;
- An improved articulation of manpower and welfare, income maintenance and related programs; and,
- An assessment of the impact of emerging energy policies on employment and manpower.

The Commission sees as its primary task the assessment of conditions that interfere with the full development and use of the Nation's human resources and the recommendation of policies which would contribute to assuring all Americans who want to work the opportunity to do so. The Commission recognizes that through its fiscal and budget policies, the federal government plays a mojor role in determining the general level of output and employment. However the Commission believes that, in addition to macro-economic policy, manpower and manpower-related policies can contribute to the accomplishment of important individual and national goals.

Although the actions of the federal government have a substantial impact on the functioning of the economy, ours is a pluralistic society with considerable initiative deriving from the private and nonprofit sectors, particularly business, trade unions, community groups, universities, professional and trade associations. The Commission, therefore, expects to proffer recommendations about how federal policy can be developed so that it provides maximum opportunity for these sectors to contribute to the accomplishments of important national objectives. In a democracy such as ours, the national government cannot determine on its own either the goals of manpower policy or their implementation. At most, the national government can play a leadership role in eliciting the cooperation of other levels of government and the principal nongovernmental groups in

clarifying the priority goals and working with them to accomplish them.

At its organization meeting the Commission decided to organize itself into the following four Working Groups:

I. Coordination of Manpower Training and Associated Programs;

II. Income Maintenance and Welfare;

III. Economic Policy and Jobs; and,

IV. Manpower Resources and Requirements.

Members of the Commission, both federal and public, serve on one or more of these Working Groups which are supported by the staff of the Commission and by outside consultants. Since the Commission has the right to hold hearings, it plans to use this mechanism, where appropriate, to elicit informed opinion about critical issues. It is the responsibility of each Working Group to clarify the key issues involved in the agenda assigned to it and to formulate alternative recommendations for the Commission's consideration. Although the Commission plans to meet only three or four times a year, the Working Groups meet regularly and the staff works full time. Through circulation of draft reports, all members of the Commission are kept informed of the work of each of the Working Groups. The recommendations of the Working Groups are submitted to the full Commission for review and action.

Outline of this Report

When the Commission first met in mid-November, it recognized the likelihood that the unemployment situation would worsen and that Congress would respond either in the closing weeks of the session or shortly after the 94th Congress was organized. Accordingly, the Commission decided that it would focus its initial report on the manpower challenges of 1975. We further decided to include in this report a brief overview of some of the long-run issues to which we plan to direct attention. This report reflects these early decisions. Its primary aim is to assess the extent to which the preexisting federal manpower and manpower-related programs and those enacted in December 1974 provide the Nation with a structure capable of responding to the manpower challenge of 1975, to identify potential weaknesses in that structure, and to seek their removal. The second part of the report speaks to some of the long-run critical manpower issues that the Commission plans to address in formulating recommendations aimed at the development of a cohesive national manpower policy.

II. MANPOWER CHALLENGES OF 1975

The Spectre of Unemployment

The Commission's deliberations at its January meeting were held against a backdrop of one of the sharpest increases in the unemployment rate in the Nation's history. The fact that almost one million individuals had filed for unemployment compensation in the second week of January foreshadowed the further rise in the unemployment rate for the month. The rate for January reached 8.2 percent, a full one percent increase over December and more than a 50 percent increase over August's rate. The unemployment projections contained in the President's Budget (which were released in the first week of February) argue against an early improvement in the unemployment situation. The unemployment rate for 1975 is projected to average 8.1 percent. The forecast through 1978 point to a continuing high rate of about 7 percent. Some authorities have suggested that the unemployment rate may reach 9 percent or even higher at some point before the economy turns around.

At the current 8.2 percent unemployment rate, 7.5 million people are out of work; at 9 percent more than 8 million would be unemployed. To these millions must be added several million additional persons who have stopped looking for work and are therefore no longer counted among the unemployed; those who want to work full-time but are on part-time schedules; and those who work full-time but are unable to keep their families above the poverty level. Another concern will be the unemployment among young people during the summer when large numbers of students enter the labor market.

Even when the unemployment rate is reported at 8.2 percent, almost 92 percent of all those in the labor force have jobs. Moreover, since the end of World War II, the record of the American economy in job creation has been impressive. The growth in employment between 1947 and 1974 was about 29 million, from 57 to 86 million, or an increase of a little over one half. Despite the phenomenal expansion in jobs, the still larger number of job seekers kept unemployment at relatively high levels throughout most of this period.

But the record in the six months since August 1974 is greatly disturbing. The number of unemployed has increased by 2.7 million with many of those newly unemployed heads of households. In addition, there has been substantial shrinkage in the numbers employed—about 1.6 million. The Commission is particularly concerned because there is no clear sign that these trends will soon reverse or that economic growth will be soon restored to a sufficient level to reduce present unemployment and to provide employment opportunities for new entrants to the labor force.

Averages hide almost as much as they disclose. For instance, the data cited above do not reveal the impact of the current recession on young people from low income families, older persons and members of minority groups who face severe handicaps in obtaining employment even in good times and whose difficulties become overwhelming when employers curtail hiring. Indeed the current rise in unemployment may well undermine the employment progress of women and minorities made under affirmative action plans and related equal opportunity efforts. The following examples point up the extent of the January unemployment among particular groups and areas.

- The rate for black workers is close to double that for white workers, 13.4 percent for blacks as against 7.5 for whites;
- The rate for Vietnam war veterans between the ages of 20 and 24 is 19.7 percent compared to 11.6 percent for those in the same age group who did not serve in the military;
- The rate for all teenagers is almost 21 percent and the rate for minority teenagers is almost double that level;
- Unemployment among construction workers is 15 percent with significantly higher rates in individual labor markets; and,
- The unemployment rate in important industrial states such as Michigan, California, New Jersey, is significantly higher than the national average.

While there is no need to belabor the fact that a high level of unemployment inevitably leads to widespread human distress and that if it continues unabated it can threaten the vitality, even the survival, of a community or a nation, one more observation may help to convey the seriousness of its impact. At an 8 percent annual average unemployment rate possibly up to some 20 million individuals may experience a period of unemployment at some time during the year and that perhaps as many as 4½ million of these may be out of work for at least 6 months or more.

The loss of a job involves more than the loss of earned income. It frequently results in the loss of valuable fringe benefits including

medical insurance, pensions and other retirement benefits. It can lead to the loss of savings, even homes, if the unemployed are unable to keep up mortgage payments. Additional hardships often ensue: a severe loss of self-esteem, family disorganization, and disturbed or criminal behavior. The human and societal costs of substantial prolonged unemployment are high.

It is fortunate, in the Commission's view, that the American people are no longer willing to permit their government to do little to stem the ravages that unemployment brings in its wake. If the government ignores the demands of the public in general, and the inner city frustrations in particular, it will do so at a tremendous cost to our social fabric.

Recent Initiatives

The rapid rise in the unemployment rate in the closing months of 1974 convinced both the Administration and the Congress that the existing legislation, primarily Unemployment Insurance and CETA, was not adequate to respond to the needs of an increasing number of citizens who, through no fault of their own, had lost their jobs and had no other source of income with which to support themselves and their dependents.

In the closing days of the 93rd Congress, two new pieces of important manpower and related legislation were passed and signed into law.

The first, the Emergency Jobs and Unemployment Assistance Act of 1974, created:

- A new Title VI to the Comprehensive Employment and Training Act, which provides for an expanded public service employment effort during 1975;
- A Special Unemployment Assistance Program which provides up to 26 weeks of income support to workers not eligible for benefits under regular unemployment insurance; and,
- A new Title X to the Public Works and Economic Development Act of 1965, which authorizes special funds for public works projects aimed at reducing unemployment in impacted rural and urban areas.

The second piece of legislation, the Emergency Unemployment Compensation Act, provides for up to 13 additional weeks of temporary supplemental unemployment compensation to workers who are covered by unemployment insurance but who have exhausted their rights to both regular and extended unemployment compensation.

These additions to the spectrum of manpower and related programs expand the number of tools available to the federal government for use in responding to the challenge of rising unemployment. At its January meeting, the Commission took notice of the speed with which both the Congress and the Administration responded to the rising unemployment and concluded that it foreshadows further constructive intervention if the situation worsens.

The Responsiveness of Manpower and Manpower-Related Programs

Because of the high level of unemployment in January 1975 and the still higher level that probably will be reached during the year, the Commission focused attention at its second meeting on an initial assessment of the adequacy and flexibility of job creation and income transfers to alleviate the human distress that results when people lose their jobs and/or are unable to obtain employment.

The Commission centered attention on the following four facets of manpower programming: (1) job creation in the form of public service employment and public works projects; (2) income maintenance devices in the form of unemployment insurance, unemployment assistance and welfare; (3) the status of funding for these programs; and, (4) the quality of local labor market information and analysis. Its principal findings and recommendations follow. These must be considered preliminary in light of the recent enactment of many of the manpower programs and the brief period in which the Commission has had to assess them.

1. Job Creation

Federally funded and operated job programs were a major response to the high unemployment rates of the 1930's which did not drop below the 10 percent level until the onset of mobilization for World War II. The rationale for such programs was to provide the unemployed with the opportunity to work for their income and to enable them to produce a useful public output. During the 1960's, a number of modest work experience programs were initiated which were primarily directed at moderating the chronic employment problems of selected groups in the labor force. The federal government did not reinstitute a broadly-based direct job creation program until 1971 when the Emergency Employment Act (EEA) was enacted.

The emphasis under EEA was on transitional public service employment that would eventually lead the individual to a regular job

in public or private employment. Similarly, the 1973 Comprehensive Employment and Training Act (CETA) provided under Title II for specific appropriations for transitional public service employment (PSE). However, the new Title VI which was added to CETA in December 1974 was directed toward generating temporary public service employment during periods of high unemployment for recently disemployed persons with prior attachment to the labor force.

At its January meeting the Commission reviewed the effectiveness of PSE as a response to high unemployment. The Commission concluded that PSE has a role to play in any overall program of countercyclical measures, but that there are several constraints and limitations if it is to be relied upon to absorb a great portion of the unemployment during periods of high or sustained unemployment. The Commission did recognize and support the importance of PSE as a manpower development tool for the chronic unemployed. It noted that such a role entails special procedures and requirements which would not generally be applied when PSE is used as a countercyclical device.

The Commission's specific concerns in considering PSE as a countercyclical measure include the following:

First, there is the cost. The presently available $2 billion will provide about 300,000 jobs, but as of January the number of unemployed was 7.5 million. Each additional 100,000 PSE jobs cost about $800 million; consequently, any major expansion must be weighed against the cost and the proportion of the total number of the unemployed who will be assisted. The costs involved in PSE further emphasize the critical contribution of unemployment insurance and other direct income transfers to meeting the urgent needs of large numbers of the unemployed. The Commission also discussed the appropriateness during periods of economic downturn of expanding retraining and upgrading activities for those disemployed whose job skills are redundant or inadequate in order to improve their competitiveness in the labor market when the economic situation improves.

Nevertheless, the Commission acknowledges that PSE provides a speedy mechanism for increasing the flow of income to the unemployed and providing desirable public services. Programs such as PSE in which 90 percent of the funds go for wages and benefits will be less inflationary than many alternatives—an important consideration at a time of inflationary pressures.

Second, the Commission is concerned about reports that there is considerable delay in many localities in utilizing available PSE funds. Some of this may be due to "start up" difficulties. The Commission recognizes the difficulties that prime sponsors face in adding new

people to their payrolls at the same time that they are laying off regular employees. Moreover, some governmental units are reluctant to absorb the unemployment insurance costs which may accrue to them when the PSE employees are later separated. In some instances, civil service requirements and collective bargaining arrangements slow the ability of state and local governments to place unemployed persons in PSE slots. The Commission noted—and encourages—the special efforts that the Department of Labor is making to assist the employing agents to remove these and other bottlenecks in order to speed the hiring of the unemployed. By the time of its next meeting in May, the evidence should be clear whether the legislation as written is responsive to the requirements for an extensive job creation program.

Third, the Commission questions whether public works projects which result in more permanent social and economic benefits might not be better than PSE as a way to put the unemployed to work. While noting the permanent social and other gains from such productive projects, the Commission also recognizes the difficulties engendered by start up and other timing considerations and the relatively high unit cost of the jobs created through the more traditional public works approach. There may be, however, some forms of public works activities which may be more responsive in the short run.

Numerous examples of socially and economically beneficial projects were cited by Commission members, including insulating the owner-occupied homes of low income families; rehabilitating dilapidated and abandoned housing; and the undertaking of recreational, conservation, and environmental projects. These activities could be carried out by a variety of agents including private and community groups as well as state and local governments.

In view of the foregoing concerns, the Commission will examine the programmatic and administrative dimensions of PSE including:

- The extent to which the current PSE approach of state/local government hiring of additional workers in regular jobs is adequate as a countercyclical measure, whatever its value as a manpower development tool; and whether the present PSE approach is the most effective method to massively expand public jobs when unemployment rises and equally important, contract public jobs expeditiously when unemployment declines;
- The extent to which the productive usefulness of the work performed under PSE may be limited because of the 10 percent limit on expenditures for other than personnel costs;

- The possibility of greater utilization of the Federal government and private nonprofit agencies, including the use of community agencies to promote improved delivery of services to hard core urban and rural poverty areas;

- The problems inherent in the Federal government's encouraging local governments to expand their personnel costs beyond what the taxpayers are willing to support through taxes; and,

- The longer term costs of assigning people to low level PSE jobs without alleviating their special employment handicaps—lack of command of English or the absence of an occupational skill—which will impede their later employability.

The Commission is deeply sympathetic to the view of those who favor a much enlarged governmental program aimed at putting the unemployed back to work. One challenge is to explore how the unemployed could be quickly put back into productive work by increasing employment opportunities in high priority areas such as expansion of energy supplies. Hence the Commission will also probe the strengths and weaknesses of alternative employment-creating measures both in the public and private sectors that government might pursue in periods of high and protracted unemployment. In this activity, the Commission will consider both the short and long run advantages and disadvantages that flow from different types of job creation efforts under public, private and community auspices. The possible role of some form of quasi-governmental corporation will also be explored. Its second interim report to the Congress after its May meeting will contain its findings and recommendations on this important issue of the scale and scope of job creation as part of the panoply of the Nation's manpower effort.

2. Income Maintenance

The broad spectrum of income support to the unemployed includes unemployment compensation (including extended benefits and special unemployment assistance), welfare, and other income support programs. At present, the income maintenance system provides the first line of defense for the unemployed worker who cannot find alternative employment.

Unemployment Insurance. Since it was first instituted in the mid-thirties, the Unemployment Insurance system has undergone many changes with respect to the proportion of the labor force that is covered—currently, approximately 7 out of every 8 wage and salaried workers. The number of weeks during which an unemployed

worker receives compensation—currently up to 26 weeks— has been extended up to 52 weeks in the present period of high unemployment. The size of the average weekly benefit—which also varies among the states—averages less than the original goal of one-half of the worker's regular wage. Over the last several years proposals have been considered which have been aimed at the following objectives with which the Commission is in basic agreement:

- Broadening permanent coverage to include currently excluded state and local employees and farm and household service workers;
- Providing incentives and requirements so that improved benefit standards are achieved;
- Revamping the extended benefit provisions so that the trigger mechanism now in the law will operate more effectively to provide benefits in times of above-average unemployment; and,
- Reassessing the financing of the unemployment insurance system, including the wage base against which the tax is levied.

Also of concern is the adequacy of reserves in the States' accounts to pay unemployment benefits in times of high unemployment and the relationship of these reserves to the central loan fund. The Commission was informed that as many as 15 to 20 states may be forced to borrow during 1975 because their reserves will have been exhausted.

There are additional questions about the role of unemployment insurance within a panoply of manpower programs which the Commission will address at a later time as it explores the development of an effective manpower infrastructure that will be responsive to both short and long term problems. Even at this early date the Commission suggests that additional measures be considered to encourage the provision of training, relocation, and other manpower services to recipients of unemployment compensation whose job skills are redundant.

Special Unemployment Assistance Program. The Commission believes that the passage of this legislation represented an important forward step in meeting the immediate challenge of rising unemployment. It understands why the Congress limited the benefits to 26 weeks. However, the Commission recommends that the Department of Labor monitor the experiences of persons who receive this assistance to determine what happens to them after they exhaust these benefits. If early findings suggest that many are forced onto the welfare rolls, the Commission believes that Congress should amend SUAP to extend the maximum benefit period for an additional 13 weeks.

Aid to Families With Dependent Children: Unemployed Fathers. In 1961 Congress amended the AFDC program to permit states to put onto the welfare rolls needy families with dependent children when there was an unemployed father present. Since that time 25 states and jurisdictions have taken advantage of this proviso. While the Commission recognizes that both the Congress and the Administration are engaged in a reappraisal of welfare and welfare-related legislation, it recommends that Congress require the states to accept on AFDC families who are in need due to the unemployment of the father. The Commission believes that it is against public policy, as well as against common sense and common decency, to encourage family break-up as the price that a mother and her dependent children must pay to receive welfare benefits.

3. Funding Requirements

A wide range of manpower and income maintenance activities are authorized under existing laws and considerable funding is available for them. Labor Department programs alone have available almost $17 billion for 1975. This includes approximately $13 billion from both Federal funds and State unemployment insurance accounts for unemployment compensation and related activities, and almost $4 billion for public service employment, manpower training and related services.

Although this represents a substantial amount of funds which are available for manpower and manpower-related programs, including income support activities for the unemployed, the Commission is concerned about the adequacy of funding for PSE.

Under the legislation passed in December 1974, there remains $1.6 billion which still can be appropriated for PSE under the Emergency Jobs and Unemployment Assistance Act. At its January meeting, the Commission was in no position to fully assess the adequacy of federal funding against potential need for the remainder of this year. However, it believes that the $1.6 billion will be needed, if only because of the steeper than expected rise in unemployment. If PSE utilization continues to lag, alternative consideration might be given for a supplemental appropriation which would allow local sponsors at their discretion to use these funds for forms of job creation and other manpower activities. For example, special efforts directed at particularly vulnerable groups such as unemployed older workers not yet eligible for Social Security; inner-city youth from low income families who are in need of both skill training and work experience; special activities for Vietnam era veterans and rural youth who might be enrolled in a federal conservation program that includes a significant training component.

If unemployment continues to rise throughout the late winter and spring, funding beyond this unappropriated $1.6 billion will be required. In that event the Commission will forward recommendations as to both scale and program mix.*

4. Labor Market Information and Analysis

CETA and the Emergency Jobs and Unemployment Assistance Act make federal funds available on the basis of local labor market conditions and place heavy responsibility on prime sponsors to shape their programs in accordance with local needs. The Commission is concerned that the labor market and related information which are available for allocating funds, programming, and the general operation of manpower programs on a local basis are inadequate. Congress took cognizance of this deficiency as early as 1968 when it made limited funds available to the Department of Labor to strengthen its efforts in this area. However, the Commission believes that a greatly expanded analytical and technical effort, supported by additional financial resources, is required if the Nation is to understand and improve the operation of its local markets. This is especially important if local communities are to effectively perform as managers of manpower programs. The Commission will further address this important problem and forward other recommendations in this area at a later date.

* NOTE: The Federal representatives on the Commission did not take a position on the funding issue.

III. LONG-RANGE MANPOWER CHALLENGES AND OPPORTUNITIES

The serious and growing imbalance between the demand for and supply of labor at the beginning of 1975 reflects serious difficulties in macro-economic policies since these policies determine the path and level of both output and employment. Manpower policies can only support and reinforce those macro-economic policies which aim at reversing a downward trend and providing support for the individuals and families who are victimized by rising unemployment.

Nevertheless, even at the height of a boom when the economy is upbeat and unemployment is quite low, many serious malfunctionings exist in the labor market. Most of these structural manpower problems reflect a less than successful effort to achieve the goals of the Employment Act of 1946; possible distortions in the incentive and reward structures so that some people are in a better income position if they do not seek or hold jobs; lack of effective linkages between critical manpower and related institutions, particularly between school and work; and weaknesses in the manpower infrastructure including the employment service, labor market information systems, and immigration policies, all of which impede the processes of adjustment between workers seeking employment and employers seeking workers.

In this connection, it is worth considering some of the more serious structural problems that characterized the American economy toward the end of the 1960's which represented the longest period of economic expansion in the Nation's history:

- A disturbingly high rate of unemployment among teenagers, especially those from minority groups;
- Chronic underemployment among the rural population and among the residents of the inner cities;
- The forced retirement of large numbers of men and women in the upper age groups who were able and would have preferred to continue working;
- A steady increase in the number of individuals on the welfare rolls;
- The pervasiveness of discrimination against many members of minority groups and women, which blocked the full development of their potential and the effective use of their skills;

- The serious imbalance on the horizon between the numbers completing advanced programs of study and the prospective demand for their services, from teachers to biologists;
- The high unemployment of Vietnam era veterans who faced a difficult transition back into the labor market; and,
- Pockets of high unemployment where the economic base had weakened and the adjustment process whereby new industry would move in or people move out was proceeding slowly.

Most of these structural problems have been accentuated since the late 1960's and the present severe recession is adding to them. For instance, when the economy again begins to expand it is likely that many older automotive plants and the facilities that supplied them will not reopen. If that turns out to be the case, many workers, businesses, and communities will face continued trouble. Unless these old plants can be converted to new uses, many unemployed workers and their families will have to relocate which will further weaken the economic prospects of those who remain. There is an analogy in these automotive-centered industrial communities in the Mid-West to the painful problems experienced by New England after World War I when the cotton textile industry relocated.

Although the Commission has only begun to assess the ramified manpower impacts of a comprehensive energy program, it is convinced that the American people will have to make a large number of changes in where they live, at what they work, and in their patterns of consumption, if the Nation's critical energy goals are to be realized. These changes will be sufficiently wrenching that many long-existing employment relations will be permanently severed. Some employers will be forced out of business and many workers will have to find new jobs. It is likely that many of the manpower impacts will be concentrated in particular industries, occupational groups, and regions.

Similarly, the recent revision of the Trade Act may mean that groups of American workers will lose their jobs as a result of future commercial agreements with foreign countries and that many may have to be retrained and relocated if they are to be reemployed. Although the revised Act makes provision for a more flexible system of special assistance to workers displaced as a result of these agreements, the Nation has had little experience in rendering such assistance effectively. This is one structural challenge with which we must learn to cope.

The Commission realizes the importance of the Congressional charge that it serve as a forum for updating the Employment Act of 1946 and is committed to seek the counsel of knowledgeable and con-

cerned representatives of business, labor, farm, minorities and to elicit an extended dialogue with economists and other social scientists in and out of government. As part of its explorations directed at the modernization of this Act, the Commission has taken the first steps to learn about the recent experiences of such innovative Western European countries as France, Germany and Sweden. These countries have expanded the panoply of manpower policies subsumed under the name of "active labor market policy" which is aimed at maintaining a high level of employment without permitting an intolerable level of inflation. Among the devices employed by these and other countries are:

- Governmental subsidies to private employers who hire the unemployed, or avoid severing employment relationships;
- Forced saving of corporate profits in boom periods, which are then released to stimulate investment and expand employment in slack periods;
- Concentration of governmental investments and purchases in periods of recession to expand employment;
- Launching of large scale public works programs in periods of severe recession;
- Mobility and other allowances to facilitate the reemployment of workers who have lost their jobs and who must relocate if they are to find other work;
- The use of credit and other incentives—lower interest rates, loan guarantees, training allowances—to stimulate selected sectors of the economy that are acutely depressed such as residential construction in the United States at the present time;
- Companies scheduling short time work rather than resorting to the layoffs with partial income compensation by the government as well as other individual layoff protections by law;
- Reorganization of apprenticeship and other youth training schemes to provide broadened knowledge and skills to new entrants to the labor force; and,
- Expansion and restructuring of retraining programs with extensive involvement of unions and employers.

The European experience emphasizes the importance of having a wide range of manpower programs and policies which can respond selectively and quickly in periods of significant expansion and contraction in employment as well as to the special problems encountered by particular groups of workers, institutions, and regions. The

role of trigger mechanisms and "shelf-ready" programs must be assessed.

During its preliminary review of the unemployment insurance system, the Commission noted possible distortions in the incentive structure which affect those who earn their income, those who receive transfer payments, and those who do both. In considering these issues the Commission will draw upon the detailed reports that have been issued by the Subcommittee of the Joint Economic Committee under the Chairmanship of Martha W. Griffiths. It will also draw upon the updated studies of the Department of Health, Education and Welfare growing out of the Administration's review of the potentialities for welfare reform.

Even before meeting with the President in January, the Commission had recognized the problem of the malfunctioning of transitional mechanisms in the labor market which affect young people entering and older persons involuntarily leaving the labor market. The Commission will move at an early date to assess the range of barriers that currently interfere with the transition of young people from school to work, particularly those that limit the jobs open to youth, and will develop recommendations on how these barriers might be lowered through the joint action of management, labor, government and other key parties.

As noted in Part II, the Commission is disturbed about weaknesses in local labor market information and analysis. In conjunction with its investigation of the transition from school to work, it will study the availability and quality of occupational information and guidance services. Moreover, it will keep under surveillance the effectiveness of the newly established Comprehensive Employment and Training Act structure as it reassesses how the Employment Service and other manpower programs relate to the new manpower framework. The Commission understands the importance of exploring how the existing labor market exchange mechanisms can be strengthened so that the job search period of unemployed workers can be reduced and a better fit achieved between the skills of job seekers and the requirements of employers.

The Commissions'work agenda necessarily will be kept flexible. It is determined to address critical short-run problems, but it also intends to devote a major portion of its effort to outlining a national manpower policy. It is hoped that this two-pronged approach will contribute to meeting the needs of individuals for work and adequate income while enabling the country to produce the goods and services that will assure its continuing leadership in world affairs.

A national manpower policy framework must contain a broad spectrum of program and other initiatives which will accommodate

changing circumstances and diverse local conditions. There must be adaptability within the policies and programs to meet special situations in a timely manner.

The goal of manpower policy is not limited to providing a job for those who want to work. It must encompass consideration of the effectiveness with which work is performed. In a competitive world no country can be indifferent to questions of productivity. While productivity trends are affected by many factors including capital investment and utilization levels, there is a disturbing amount of evidence that the United States, a long time leader in technological progress, has lost ground in many areas which it must regain if it is to provide employment effectively and enjoy rising per capita real income for its citizens.

But an effective manpower policy must do more; it must be sensitive to the goals of national security and the protection of the environment. The effectiveness of economic and manpower policy must finally be judged by how well it meets the needs of the individual citizen for work, income, and independence and the needs of the society for security, growth, and well-being.

APPENDIX A

U.S. "COMPREHENSIVE EMPLOYMENT & TRAINING ACT"

December 28, 1973 **Pub. Law 93-203**

TITLE V—NATIONAL COMMISSION FOR MANPOWER POLICY

FINDINGS AND DECLARATION OF PURPOSE

SEC. 501. (a) The Congress finds and declares that the responsibility for the development, administration, and coordination of programs of training and manpower development generally is so diffused and fragmented at all levels of government that it has been impossible to develop rational priorities in these fields, with the result that even good programs have proved to be far less effective than could reasonably be expected. The Congress further finds that the lack of a coherent, flexible, national manpower policy reduces our prospects of solving economic and social problems which threaten fundamental national interests and objectives.

(b) Accordingly, the purpose of this title is to establish a National Commission for Manpower Policy which will have the responsibility for examining these issues, for suggesting ways and means of dealing with them, and for advising the Secretary on national manpower issues.

COMMISSION ESTABLISHED

SEC. 502. (a) There is established a National Commission for Manpower Policy (hereinafter referred to as the "Commission") which shall consist of seventeen members elected as follows—

(1) the Secretary of Labor, the Secretary of Health, Education, and Welfare, the Secretary of Defense, the Secretary of Commerce, the Secretary of Agriculture, and the Administrator of the Veterans' Affairs; and

(2) eleven members broadly representative of labor, industry, commerce, education (including vocational and technical education), State and local elected officials involved with manpower programs, persons served by manpower programs and of the general public appointed by the President.

(b) The Commission shall meet at the call of the Chairman, who shall be selected by the President and who shall be one of the ten appointed public members, but not fewer than three times a year.

(c) The Chairman (with the concurrence of the Commission) shall appoint a Director, who shall be the chief executive officer of the Commission and shall perform such duties as are prescribed by the Chairman. The Director may appoint, with the concurrence of the Chairman and the Secretary of Labor, such clerical staff as are necessary. The Commission may utilize such staff from the Department of Labor, the Department of Health, Education, and Welfare, and such other Federal agencies as may be available to assist the Commission in carrying out its responsibilities.

(d) The Commission may accept in the name of the Department of Labor and employ or dispose of gifts or bequests, to carry out its responsibilities under this title.

(e) Members of the Commission who are not officers or employees of the Federal Government shall be paid compensation at a rate of up to the per diem equivalent of the rate for GS-18 when engaged in the work of the Commission, including traveltime, and shall be allowed travel expenses and per diem in lieu of subsistence as authorized by law (5 U.S.C. 5703) for persons in the Government service employed

intermittently and receiving compensation on a per diem, when actually employed, basis.

FUNCTIONS OF THE COMMISSION

SEC. 503. The Commission shall—

(1) identify the manpower goals and needs of the Nation and assess the extent to which employment and training, vocational education, institutional training, vocational rehabilitation, economic opportunity, and other programs under this and related Acts represent a consistent, integrated, and coordinated approach to meeting such needs and achieving such goals;

(2) conduct such studies, hearings, research, or other activities as it deems necessary to enable it to formulate appropriate recommendations;

(3) examine and evaluate the effectiveness of any federally assisted manpower development programs (including those assisted under this Act), with particular reference to the contributions of such programs to the achievement of objectives sought by the recommendations under clause (2) of this section;

(4) examine and evaluate major Federal programs which are intended to (or potentially could) contribute to achieving major objectives of existing manpower and related legislation or those set forth in the recommendations of the Commission and particularly the programs which are designed (or could be designed) to develop information and knowledge about manpower problems through research and demonstration projects or to train personnel in fields (such as occupational counseling, guidance, and placement) which are vital to the success of manpower programs; and

(5) evaluate and make recommendations to the Congress with respect to the report of the Secretary required under section 506, and continue to make studies of the impact of energy shortages upon manpower needs and include these findings and recommendations with respect thereto in the reports required by section 505.

COORDINATION STUDY

SEC. 504. The Commission shall conduct a study of the utilization and interrelation of programs of manpower training with closely associated programs such as those conducted under the Wagner-Peyser Act, the work incentives program under part C of title IV of the Social Security Act, and others of similar nature, with a view to determining how they could be better coordinated and more effectively combined to serve individuals, particularly at the State and local levels, and shall make a report of their findings and recommendations to the President and the Congress not later than January 31, 1975.

REPORTS

SEC. 505. The Commission shall make at least annually a report of its findings and recommendations to the President and the Congress, and the first such report shall be transmitted not later than September 1, 1974. The Commission may make such interim reports or recommendations to the Secretary of Labor or to the heads of other Federal departments and agencies, and in such form, as it may deem desirable.

ENERGY STUDY

SEC. 506. The Secretary shall, immediately upon enactment of this Act, make a study of the impact of energy shortages, including fuel rationing, upon manpower needs. The Secretary shall make a report of his findings and recommendations thereon to the Congress and to the Commission not later than March 31, 1974.

APPENDIX B

NATIONAL COMMISSION
for
MANPOWER POLICY

November 20, 1974

Honorable Carl Albert
Speaker of the House of
Representatives
Washington, D.C. 20515

Honorable James O. Eastland
President Pro Tempore of
the Senate
Washington, D.C. 20515

My Dear Mr. Speaker:

Dear Senator Eastland:

Title V, Public Law 93-203, Comprehensive Employment and Training Act of 1973, provides that the National Commission for Manpower Policy submit the following reports to the Congress:

An evaluation with recommendations of the Secretary of Labor's report on the manpower impacts of the energy problem.

A coordination study of programs of manpower training with closely associated programs under the Wagner-Peyser Act.

At least an annual report of the Commission's findings and recommendations.

There has been serious slippage in the dates stipulated for the submission of these reports as a consequence of the fact that the Commission was not established until September 30, 1974, and that it held its first meeting on November 14, 1974.

At this meeting the Commission developed its initial work plan as a result of which it is beginning work which will be incorporated in the reports called for above.

To make up for the inevitable slippage in the time schedule the Commission looks forward to submitting the following reports on or around the following dates:

(a) An evaluation and recommendation of the Secretary of Labor's report on the manpower impact of energy shortages by January 31, 1975.

(b) An initial report on Manpower Policies and Programs in the Face of Rising Unemployment, January 31, 1975.

(c) An interim report on coordination of manpower training programs, June 30, 1975.

(d) A first annual report, September 30, 1975.

Sincerely,

ELI GINZBERG
Chairman

APPENDIX C

NATIONAL COMMISSION FOR MANPOWER POLICY
1522 K Street, NW, Suite 300
Washington, D. C. 20005

February 8, 1975

Honorable Rogers C.B. Morton
Secretary of the Interior
Washington, D. C. 20240

Dear Mr. Secretary:

As Chairman of the National Commission for Manpower Policy, I have been requested to write you, as Chairman of the Energy Resources Council, on behalf of the Commission concerning the employment impact and manpower implications of the energy initiatives currently being developed.

The National Commission for Manpower Policy was recently established by the President pursuant to Title V of the Comprehensive Employment and Training Act of 1973. Seventeen members comprise the Commission--six heads of Federal agencies and eleven public members appointed by the President. The Federal government representatives are the Secretaries of Defense; Agriculture; Commerce; Labor; Health, Education, and Welfare; and the Administrator of Veterans Affairs. The public members represent broad sections of labor, industry, commerce, and education, persons served by manpower programs, and State and local elected officials who have responsibilities for operating manpower programs. (A complete list of members is included in the background material on the Commission which I am enclosing).

The Commission's general charge is to develop goals for a national manpower policy and to advise the President, Congress and Federal agency heads on employment and manpower issues. Included among the specific responsibilities of the Commission is a statutory obligation "to make studies of the impact of energy shortages upon manpower needs." In the Commission's meeting with the President on January 22, the tie between energy and manpower was singled out as an area of particular importance.

Accordingly, the Commission has made the manpower implications of the energy situation a priority consideration in its work agenda, and will be developing a set of recommendations concerning the manpower aspects of the Nation's energy policies as the dimensions of the national energy program are determined in the period ahead. The Commission recognizes that the Administration's energy proposals will probably undergo some revision and modification before a national effort is finally gotten underway. However, the Commission tentatively plans to have a set of initial judgments and recommendations ready for discussion at the Commission's next meeting on May 21 and would welcome your attendance and participation at this meeting.

At the January 22 meeting of the Commission, there was considerable discussion concerning the substantial impact a national effort affecting the use and cost of energy as well as the development of new energy sources and capacity would have on many sectors of our economy and on certain labor markets. Such changes will affect not only the level of employment but also future needs for and supplies of specific manpower. Accordingly, it seems appropriate that in developing a national energy effort and in assessing the costs and trade offs of various energy options that full consideration be given to the employment and manpower implications of the policies. Where certain energy choices must be made which will have a possible disemployment effect, the nature and dimensions of this effect should be assessed and estimated so that appropriate remedial policies and actions can be undertaken by the concerned agencies. Where special and unique manpower requirements will arise from new energy initiatives, these needs must also be identified so that the involved agencies and the manpower authorities can take the necessary steps to insure that the required manpower will be available where it is needed on a timely basis.

The Commission, acting at its meeting on January 22, therefore urged that the Energy Resources Council assume responsibility for insuring that the employment and manpower impact of the various energy proposals are given serious consideration and that a special employment and manpower analysis of the energy proposals of the Administration and others be undertaken under the auspices of the Energy Resources Council with the assistance of the appropriate Federal agencies. Estimates of the macro short term employment effects as well as studies of the longer term impact on future economic and employment levels by industry should prove beneficial in selecting energy options with the least adverse effects on employment, and in effecting the necessary adjustments within industries and in employment levels with a minimum of dislocation and interruption of economic activity.

The Commission's staff and I are available to discuss some suggestions re this matter further with you or your staff at your convenience. We would also appreciate your advising the Commission of analyses which have been completed or will be undertaken pursuant to this matter and how the Commission might obtain access to such analyses.

Again, I would like to extend an invitation to you or your representative to attend the Commission's next meeting on May 21. I shall send you a copy of the agenda when it is finalized.

Thanking you on behalf of the Commission, I remain

Sincerely,

ELI GINZBERG
Chairman

GPO 899-542